7

Transportation Improvement Plan

This chapter discusses the financial aspects of the TSP, including current and potential revenue sources for transportation costs in Benton County, past and projected transportation expenditures, as well as proposed funding options. Also included is a multi-page table that lists all improvement projects by number, location, description, estimated total cost, and timing.

7.1 Priorities and Criteria

The goals and evaluation criteria developed as part of the TSP planning process are presented in Chapter 2 and therefore not repeated here. During the planning effort citizen stakeholders, project consultants, County staff, the Task Force, the Technical Advisory Committee, and County policy decision makers utilized the goals and evaluation criteria, as well as the vision statement, shown below, to compare and consider alternative strategies and actions. This resulted in a list of preferred actions and projects to meet Benton County's transportation needs during the next 20 years. *(For a complete description of the process used to develop this TSP, including goals, evaluation criteria, and public involvement, see Chapter 2.)*

Benton County Transportation System
VISION STATEMENT

The Benton County Transportation System seeks to preserve, protect, and promote the County's sustainability, livability, and economic vitality by:

- Providing choices of alternative travel modes
- Maximizing the efficiency of existing facilities
- Intertwining quality of life, land use, and transportation decision making

The Benton County Transportation System will provide equitably funded, safe, efficient, cost-effective mobility and accessibility to all County residents, businesses, and emergency services within and across County boundaries.

7.2 Needs and Improvement Timing

Development of the modal plans for this TSP culminated in a list of improvement projects, which the County acknowledges supporting within the Plan. The multi-page **Table 7-1** at the end of this chapter

summarizes this list and identifies those projects that are funded and/or acknowledged in current transportation plans of participating agencies.

Many of the improvement projects are located on facilities under the jurisdiction of other agencies. Such projects are likely to be funded by the jurisdictional agency or on a shared basis with the County, through agreement. The following sections attempt to define the available funding levels for these projects, and, where shortfalls are anticipated, to present options for the County to raise sufficient revenues to fund the prioritized projects over the next 20 years.

Table 7-1 also includes timing information for the implementation of the improvement projects listed in this TSP. Timing is divided into three time frames: 0 to 5 years, 6 to 10 years, and 11 to 20 years. The projects have been prioritized within each time frame based on considerations such as: type of deficiency (safety, capacity, connectivity, accessibility, balance of modes, etc.), timing of need, relationship to other identified improvements (i.e., multi-use shoulder associated roadway requiring capacity widening), support/implementation of TSP goals, and funding availability.

7.3 Funding and Implementation Strategy

The funding of transportation system costs is a difficult challenge shared by most communities throughout Oregon and the United States. Cutbacks in federal transportation programs have heightened this problem and forced local governments to look for new ways to fund necessary transportation services. While the State of Oregon continues to provide a large portion of funding through the state gas tax, this source of revenue has not kept pace with increasing needs. Against this stagnant funding picture, many communities, including Benton County, face a funding gap where current and future transportation system needs exceed available revenues.

This TSP identifies approximately $120 million of capital improvement projects in Benton County over the next 20 years. Of this amount, $78 million is expected to be funded from state and federal sources. Approximately $1 million are projects belonging to cities or urban development in Benton County. The remainder of the projects, totaling $38 million, will be the responsibility of the County. **Table 7-1,** at the end of this Chapter**,** lists the estimated capital costs for the improvements.

This TSP also identifies new or expanded intercity and rural public transit service within the County with a capital cost of $2,125,000, and operating costs of $12,090,000 over the 20-year planning horizon.

The remainder of this chapter assesses the magnitude of capital needs, projects future funding levels by category, and determines the adequacy of these funds. In addition, potential funding sources to make up the shortfall are recommended.

7.3.1 State Projects

This Benton County TSP divides the identified projects into State Projects and Local Projects. The reason for this division is that funding of state highways is not primarily a task for the Benton County area. Counties and cities can petition the State for the improvements they believe desirable and consistent with its local transportation and land use plans, and they can influence the design and timing of those improvements; however, it is ultimately the State that must fund and construct the improvements.

There are three State highways that serve Benton County: U.S. 20, Highway 34, and Highway 99W. All three State highways include roadway segments that do not meet Level of Service (LOS) standards identified by Benton County. The Oregon Department of Transportation (ODOT) is responsible for maintenance and capital improvements on all three facilities.

This TSP has identified capital improvements to the State highway system that are required over the 20-year planning period. As shown in **Table 7-1**, the projects identified are expected to cost $78,848,000 for capital improvements. This amount includes $7,833,000 of anticipated federal and state funding on County

jurisdiction roads for bridge replacements, safety improvements, and forest access or scenic byway funding for improvements to South Fork Road.

7.3.1.A Status of State Transportation Funding

Revenue for ODOT maintenance activities comes through the State Highway Fund, which is funded through the state gas tax, vehicle registration fees, and weight-mile fees. The State Highway Fund is shared with local cities and counties. Revenue forecasts for ODOT's statewide maintenance/preservation program indicate that available funding will decline unless additional revenue can be obtained through increases in the state gas tax, vehicle registration fee, and/or weight fees. As shown in **Table 7-2** below, according to ODOT's 1998-2001 Statewide Transportation Improvement Program (STIP), funding statewide was at $1.575 billion for the four-year period.

Table 7-2
ODOT STIP 1998-2001 ($1,000s)

	Total Needs	Current Funding	Unfunded Needs
Modernization	1,235,000	388,371	846,629
Preservation	902,000	435,019	466,981
Bridge	238,800	236,234	2,566
Transit	551,000	414,478	136,522
Safety	100,872	100,872	0
Total	3,027,672	1,574,974	1,452,698

In addition to capital improvement funding through the State Highway Fund, U.S. 20, Highway 34, and Highway 99W are eligible for federal funding through the Transportation Efficiency Act of the Twenty-First Century (TEA-21) program.

As with local governments, the State has identified significant shortfall in revenues versus transportation needs. ODOT's STIP for 1998 to 2001 shows that its funding could meet only 52percent of its needs, leaving 48 percent of its identified transportation projects unfunded. For Region 2, the State's STIP for the four-year period 1998 to 2001, showed similar levels of unfunded needs, as shown in **Table 7-3** below.

Table 7-3
ODOT STIP 1998-2001 Region 2 ($1,000s)

	Total Needs	Current Funding	Unfunded Needs
Modernization/Preservation	487,500	194,262	293,238
Bridge	72,800	59,573	13,227
Transit	132,400	42,446	89,954
Total	692,700	296,281	396,419

Without significant increases in federal funding as well as approval of a new Oregon transportation funding package, the State will continue to see significant numbers of unfunded projects.

7.3.1.B State Funding of Projects

ODOT maintenance responsibilities on U.S. 20, Highway 34, and Highway 99W include repair of road surfaces, filling and patching potholes, overlays, vegetation removal, and pavement markings. Actions to extend the life of existing pavement or rebuild the pavement structure are also included in this category.

Funding for capital improvements on U.S. 20, Highway 34, and Highway 99W comes from a variety of state and federal funding sources. Capital improvements are programmed by ODOT through the State Transportation Improvement Program (STIP). Both state and federal capital project funding is included in the STIP. Priorities for project funding are set every two years when ODOT updates the STIP. Local input is solicited regarding project priorities to be considered for funding through the STIP. Recommendations regarding project priorities and timing will be and should be used as a guide for both ODOT and the Benton County area as input on project priorities during the next update of the STIP.

ODOT officials have continually stressed the importance of coordination and collaboration among local jurisdictions in prioritizing local transportation needs. To the extent that projects in the Benton County area have both local and state components, the County should coordinate these projects closely with the State to maximize State funds and minimize County expenditures.

State funding programs such as the Special Public Works Program (funded through Lottery proceeds) or the Immediate Opportunity Fund (funded through an annual allotment from the State Highway Fund) may be available to certain projects or elements of projects. Projects that demonstrate a significant benefit to economic development and job creation are eligible for funding through these programs. For example, to the extent that there is a relationship between recommended transportation improvements and economic development and revitalization, it may be possible to seek these funding sources to pay for part of the transportation improvements that would support this strategy.

Local funding participation in projects on these facilities may enable the State to accelerate the priority of an improvement in the STIP. While not normally a requirement of project funding, local participation does demonstrate to ODOT a strong project commitment, and local funds may leverage state funds.

7.3.2 Historical Funding for Benton County Transportation Projects

Historically, Benton County has accounted for transportation funding sources through a special revenue fund, the Road Fund 102, and through the Capital Improvement Fund 302, collectively referred to as the "Road Fund" hereafter.

The Road Fund accounts for revenues from the state gasoline tax apportioned from the State of Oregon, federal forest revenues, and federal resources. Expenditures from the fund are typically used for road maintenance, road overlays, road construction, bike lanes, bridge replacement, and safety improvements.

Table 7-4 provides an illustration of the revenues for the County's Road Fund between fiscal years 1994-95 and 1997-98.

7.3.2.A Revenues

As noted in **Table 7-4**, a significant percentage of the County's Road Fund comes from the State Highway fund distribution, federal forest revenues, and federal aid.

7.3.2.A.1 Highway Apportionment

The Highway apportionment has been generally stagnant. Since 1993, the State has attempted to increase the gas tax and the vehicle registration fee without success. During the 1997 Legislative Session, a proposal to increase the gasoline tax by 6 cents and the registration fee by $20 per two years was defeated. Under this proposal, Benton County would have received additional highway apportionment funds of approximately $230,000 in FY 97-98, $885,000 in FY 98-99 and $1,250,000 annually thereafter.

The 6-cent gasoline tax and registration fee increase approved by the 1999 legislature did not survive an initiative before the voters in May of 2000. The measure has been opposed by the American Automobile Association due to the repeal of the weight-mile tax on trucks included with the tax and fee increase.

7.3.2.A.2 Federal Forest Revenues

Federal forest revenues have been declining over time. Forest revenues available for roads were $266,000 in 1994-95, $247,000 in 1996-97, and fell to $229,000 by 1999-2000. New legislation passed in 2000 is expected to increase Benton County Forest receipts for roads by as much as $200,000.

7.3.2.A.3 Federal Aid

The County also receives Federal aid as program dedicated funds. This funding source can vary widely since they are distributed as reimbursements for specific eligible projects.

Fiscal Year	Amount
1992-93	$0
1993-94	$255,900
1994-95	$329,001
1995-96	$907
1996-97	$442,060

The major revenue sources for the Road Fund have either been stagnant, declining, or unstable funding. The County must find new sources of revenue in order to keep up with rising transportation expenditure needs.

7.3.2.B Expenditures

As shown on **Table 7-4**, the majority of expenditures from the Road Fund are for maintenance including road overlays. A relatively modest amount has been allocated to capital improvements.

Table 7-4
Benton County Transportation Road Fund Revenues

	FY 96/97Actual	FY 97/98Actual	FY 98/99Actual	FY 99/00Budgeted	FY 00/01Estimate
Revenues					
Fees	$285,677	$207,880	$609,869	$282,100	$222,100
Program dedicated funds					
Beginning fund balance	$1,563,847	$1,750,617	$1,791,817	$1,402,150	$752,989
Intra governmental services	$115,599	$189,029	$115,432	$102,000	$102,000
Highway apportionment	$2,986,717	$2,989,711	$3,095,326	$3,127,600	$3,199,025
Federal forest revenues	$247,643	$237,777	$228,149	$219,487	$210,080
Federal Aid - Secondary System	$413,160	$231,562	$35,897	$370,000	$185,000
FEMA	$60,571	$84,765	$0	$0	$0
Capital Improvements	$127,503	$0	$407,498	$99,118	$289,800
Other dedicated funds	$175,863	$180,735	$175,586	$61,700	$92,200
Total Revenues	**$5,976,580**	**$5,872,076**	**$6,459,574**	**$5,664,155**	**$5,053,194**
Expenditures					
General Service & Administration	$391,837	$409,930	$440,307	$476,300	$550,627
General Engineering Services	$607,846	$661,177	$646,485	$708,057	$739,899
Road Maintenance	$2,411,777	$2,564,654	$2,649,200	$2,870,680	$2,857,480
Reserve/Contingency	$0	$0	$0	$749,837	$225,000
Capital Improvements	$814,502	$444,498	$806,308	$859,281	$776,259
Total Expenditures	**$4,225,962**	**$4,080,259**	**$4,542,300**	**$5,664,155**	**$5,149,265**
Surplus/(Deficit)	**$1,750,618**	**$1,791,817**	**$1,917,274**	**$0**	**($-96,071)**

Transportation System Plan Costs

Table 7-1 provides a listing of Transportation System Plan projects. The list includes projects, which are the responsibility of cities within the County, the State, and the County's projects.

The County costs of the identified projects over a 20-year period are as follows:

Bridge replacement cost:	$ 680,000
Roadway safety improvement cost:	$ 1,158,000
Bikeway improvement cost:	$ 6,465,000
Level of service, capacity improvement cost:	$ 9,920,000
Pavement preservation cost:	$20,000,000
Transit capital cost:	$ 2,125,000
Total Capital Improvements:	**$40,348,000**
Transit Operating Cost:	**$12,090,000**
Total County Needs:	**$52,438,000**

The estimated county needs have been based upon the assumption that during the 20-year future Benton County will obtain partial or full funding from state and federal sources for improvements to county facilities and services, particularly the bridge replacement and safety projects. Recent historical expenditures for improvements of the types identified in the TSP have averaged about $400,000 per year. The unfunded need identified over the 20-year period is $55 million. Of this amount approximately $30 million, or $1.5 million per year of new road fund revenue is required.

Of the total shortfall over the next 20 years, the amount that is directly related to transit expansion is shown in **Table 7-5** below. The future role of the County in funding expanded rural and intercity transit service has not been determined at this time. Possible governance includes expansion of the Linn Benton Loop partnership of the participating agencies or the creation of a transportation district.

Table 7-5
Transit Projects Within Benton County ($1,000s)

Project No.	Project Description	Capital Cost	O&M Cost	Total 20-Year Cost
L1	Satellite Park & Ride Shuttle	200	2,720	2,920
L2	Satellite Park & Ride Lots	300	370	670
L3	Express Bus Service	1,225	6,000	7,975
L5	Expanded County Cruiser Service	400	3,000	3,400
TOTAL		**2,125**	**12,090**	**14,215**

The costs shown in **Table 7-5** are based on the assumption that Satellite and Express Bus Service will be provided in the second half of the 20-year time horizon. This is based on the recognition that: (1) transit does not reduce the need for roadway capacity improvements, and; (2) a disproportionate share of County funds will be spent over the next 5-10 years on bridge replacement of old structures. In the event that additional rural transit funds become available, expanded transit services will begin sooner.

Table 7-1 shows the capital projects, as assigned to jurisdiction of responsibility, over the time horizon of the this TSP. Projects have been assigned to the 0-5 year future (2000-2005), 5-10 years (2006-2010), and 10-20 years (2011-2020). Projects were assigned for completion during one of the time increments based on need, likely funding availability, estimated cost, and benefit. **Table 7-6** shows a summary of the capital costs, by funding jurisdiction, over the 20-year time horizon.

Table 7-6
Summary of Capital Projects Costs Over Time ($1,000s)

	Years 0-5	Years 5-10	Years 10-20	Total
Benton County	10,911	12,862	14,450	38,223
Federal/ODOT	9,777	13,042	55,279	78,098
Cities	536	204	135	875
TOTALS	21,224	26,508	71,589	119,321

7.3.3 Revenue and Funding Sources for Local Transportation Projects

Funding for transportation improvement projects typically comes from three sources: federal, state, and local governments. This section describes some of the federal, state, and local funding and financing mechanisms available to localities for funding transportation projects. Some of the mechanisms provide one-time revenue or grants, while others provide recurring revenues. In some cases, funds may come from one level of government (such as federal) to be spent by another level of government (i.e., state). It may also be that some of the funding mechanisms have been or are more typically dedicated to maintenance or street repair rather than capital improvements. The decision on how the funds are spent is in most cases a policy issue.

7.3.3.A. Federal Funding Mechanisms

7.3.3.A.1 Intermodal Surface Transportation Efficiency Act (ISTEA)

ISTEA established several programs delivered by the Federal Highway Administration (FHA) that provide state and local governments with the flexibility to fund transportation projects that best meet locally determined goals and objectives for mobility, economic opportunity, and air quality.

The **Surface Transportation Program** (STP) provides for a broad range of highway and transit capital, planning, and "enhancement" activities.

Ten percent of each state's annual STP apportionment is set aside for STP Transportation Enhancements. Enhancement projects are intended to integrate transportation facilities into their surrounding communities by increasing public access and enjoyments. Ten specific categories of transportation enhancements are eligible for funding:

- facilities for pedestrian and bicycles
- acquisition of scenic easements and scenic or historic sites
- scenic/historic highway programs
- landscaping
- historic preservation
- rehabilitation and operation of historic transportation facilities (including railroads and canals)
- preservation of abandoned railroad corridors (and their conversion to pedestrian and bicycle trails)
- control and removal of outdoor advertising
- archeological planning and research

- mitigation of water pollution due to highway runoff

National Highway System (NHS) funds provide for a wide range of transportation activities on any principal arterial. Eligible highway and transit include:

- construction and rehabilitation of road and bridges
- fringe and corridor parking facilities
- bicycle and pedestrian facilities
- carpool and vanpool projects
- public transportation facilities which improve the level of that on a specific NHS limited access facility

Bridge and Interstate Maintenance Program funds are apportioned among states based on the square footage of "deficient" highway bridges inventoried by each state.

The **Congestion Mitigation and Air Quality Improvement** (CMAQ) program focuses investment in highway and transit projects that improve air quality.

ISTEA and TEA-21 also significantly increased opportunities for involving private sector participation in transportation projects by allowing increased flexibility in blending federal aid with private financing and operating arrangements. In addition, the Federal Transit Administration has a number of transit funding programs that could be potential funding sources for identified transit project.

7.3.3.A.2. Federal Forest Revenues

The federal government provides funds from forest reserve rentals and sales of timber within the State of Oregon. The State distributes the funds to counties where forest reserves are located, including Benton County. By State law, 75 percent of the money is allocated to the counties' road funds and 25 percent to schools.

In an agreement with the federal government in 1993, the Forest Service provides a guaranteed annual payment to Oregon for federal forest revenues. The formula provides an amount equal to 85 percent of the average revenue over the five-year period between 1986 and 1990. This amount is then reduced by 3percent each year for 10 years. In FY 2003, the amount will be 55 percent of the 1986-1990 average. When inflation is considered, the FY 2003 revenue will probably equal 25 percent of the annual revenue received in the mid-1980s. The guarantee itself requires continued annual appropriation; if the money is not appropriated, funding would cease and would result in a significant negative fiscal impact on counties, including Benton County.

The following chart shows the portion of Federal Forest Revenues distributed to Benton County that is restricted to the County's Road Fund.

Fiscal Year	Amount
1994-95	$266,000
1995-96	$257,000
1996-97	$247,000
1997-98	$238,000
1998-99	$228,249 (Budgeted)
1999-00	$219,487 (Budgeted)

7.3.3.B State Funding Mechanisms

The following sections describe potential revenue sources available at the state level.

7.3.3.B.1 State Highway Trust Fund

The State of Oregon collects a state fuel tax (currently 24 cents a gallon), vehicle licensing fees, and a vehicle weight-mile tax to fund transportation needs. A majority of the funds are used for state transportation programs. Portions of the revenues are allocated to counties and cities. Each county's revenue distribution is based on its share of statewide vehicle registration.

The chart below shows the historical and projected State Highway Fund (also referred to as the Highway Apportionment) distribution to Benton County.

Fiscal Year	Amount
1996-97	$2,987,717
1997-98	$2,989,711
1998-99	$3,095,326
1999-00	$3,127,600

The State Highway Fund apportionment is not expected to increase unless the State finds some way of increasing fees or taxes. Since 1991, the Legislature has not increased the gasoline tax. The Legislature has failed repeated attempts to increase the state gas tax and other revenue-raising measures, most recently during the 1999 Legislative session. Local governments cannot look forward to any significant increase in their highway apportionment to fund local needs unless the 2001 Legislative Session successfully passes a transportation funding measure.

7.3.3.B.2 ODOT Immediate Opportunity Fund Program

ODOT administers a grant program designed to assist local and regional economic development efforts. The program was initiated through legislation in 1987. In 1996, it was extended until 2001. The program is funded to a level of approximately $7 million per year through state gas tax revenues. Grants are given by the Oregon Transportation Commission on a case-by-case basis, upon the recommendation of the ODOT Region and OEDD Region officials who use the following as primary factors in determining eligible projects:

- funding used to improve public roads
- funding used for an economic development-related project of regional significance
- primary project must create primary employment
- preference to grantee providing local funds to match grant (lesser matches may also be considered)
- local matching funds can be provided by public or private entities

The maximum amount of the grant is 50 percent of the transportation project cost or $500,000, whichever is less. Fifty transportation projects have been approved under the program, most of which involve manufacturing plants or distribution facilities. The City of Corvallis received two grants from this program: $450,000 in 1993 and $500,000 in 1996 to fund public roads associated with the Hewlett Packard plant. Additional recipients of the program (among others) include Washington County, Douglas County, Morrow County, Jackson County, Port of St. Helens, City of Newport, City of Medford, City of Eugene, and City of Hermiston.

7.3.3.B.3 Hazard Elimination Program (HEP)

HEP is a federally funded program that mandates that each state identify hazardous locations on all public roads, assign priorities for the necessary corrections at these locations, and establish a schedule of improvement projects. The mission of HEP is "to carry out safety improvement projects to reduce the risk, number, and/or severity of accidents at highway locations, sections, and elements on any public road." Any public road, excluding interstate freeways, is eligible for HEP funds.

Standard match for HEP projects is 90 percent federal funds and 10 percent state or local agency funds. Program-eligible projects should cost less than $500,000 and should be funded exclusively or primarily using HEP Program funds. The projects should be stand-alone projects and not portions of larger construction projects.

7.3.3.B.4 Oregon Special Public Works Fund (SPWF)

The SPWF provides grant and loan assistance to local governments primarily for the construction of public infrastructure that support commercial and industrial development and result in permanent job creation or job retention. To be awarded funds, each infrastructure project must support businesses wishing to locate, expand, or remain in Oregon. Awards can be used for improvement, expansion, and new construction of public sewage treatment works, public water supply works, public roads, and public transportation.

The maximum loan amount per project is $10 million and the term of the loan cannot exceed the useful life of the project, or 25 years, whichever is less. Interest rates for loans funded with State of Oregon Revenue Bonds are based on the rate that the State may borrow through the Bond Bank. The Department may also make loans directly from the SPWF, whose term and rate can be structured to meet project needs. The maximum grant per project is $500,000, but may not exceed 85 percent of the total project cost.

Although the program is capable of funding transportation improvements, its use for that purpose has been limited. However, Douglas County and the cities of Cornelius, Woodburn, Forest Grove, Portland, Reedsport, Wilsonville, Redmond, Bend, and Salem (among others) have received SPWF funding for projects involving some type of transportation-related improvements.

7.3.3.C Local Funding Mechanisms

The following sections describe some potential revenue sources available at the local level.

7.3.3.C.1 Transportation System Development Charges (SDCs)

SDCs are charges on new development for the costs it imposes on the transportation system. SDCs for sewer, water, and transportation are common fees imposed throughout the State.

Government entities are permitted to establish SDCs to fund needed capital improvement projects. Oregon Revised Statute (ORS) 223.297 to 223.314 prescribes specific requirements for SDCs. In creating a methodology for determining a charge amount, a government must consider the cost of the improvement, prior contributions of existing users, value of unused capacity (if any), and rate-making principles employed to finance publicly-owned capital improvements. In the case of transportation projects, charges are generally based on a measurement of the demand that a new development places on the street system, such as the number of vehicle trips generated by the development, and the capital cost of meeting that demand. SDCs are one-time fees collected from a new business or developer as its facilities come on line. Numerous cities and counties in Oregon presently charge transportation SDCs.

Since SDCs are charged on new development, its revenue stream fluctuates depending on growth patterns and is not a reliable source of long-term funding. It is, however, an appropriate fee to charge for transportation needs that arise from new development. The County has forecasted that rural household growth for Benton Bounty will be 3,772 between 1995 and 2015. The forecast was not broken down into a smaller time period, so, for the purpose of this study, it is assumed that the growth is evenly spread over the 20-year period.

An SDC of $2,000 per new development would generate approximately $400,000 in annual revenues.

7.3.3.C.2 Local Gas Tax

Local governments may levy local gas taxes in addition to the state gas tax, where allowed by their charters or by voter approval. Revenues from the gas tax must be used to fund street-related improvements only. It appears that Benton County is allowed by its charter to levy this tax without obtaining voter approval.

Multnomah County and Washington County both have the local gas tax. Multnomah County's 3 cent per gallon tax generated $7.7 million in 1996. Washington County's 1 cent per gallon tax generated $1.7 million in 1996. These revenues are shared with local cities within the county boundaries. The Cities of Woodburn, The Dalles, and Tillamook also have the local gas tax.

The administration of a local gas tax is relatively easy. The Cities of The Dalles and Tillamook collect and administer the gas tax locally. Staffs in these cities believe that noncompliance and the administrative burden are relatively low. Multnomah County, Washington County, and the City of Woodburn have an agreement with the State Fuels Tax Division to collect the gas tax for them.

During the November 1997 elections, six counties sought voter approval for the gas tax and/or registration fee. The results are shown on **Table 7-7.**

Table 7-7
1997 Local Option Measures

County	Gas Tax (per gallon)	Annual Registration Fee	Pct. Yes	Pct. No
Clackamas	1 cent phased in over 3 years	$15 auto, $9 motorcycles, $30 truck	32	68
Marion	3 cents, including diesel	$10 auto, $9 motorcycles, $10 truck	16	84
Multnomah	None	$15 auto, $9 motorcycles, $30 truck	49	51
Umatilla	3 cents, including diesel	None	24	76
Washington	2 cents, increase to 3 cents	$15 auto, $9 motorcycles, $30 truck	32	68
Yamhill	5 cents	$15 auto, $9 motorcycles, $30 truck	20	68

The revenue potential of such a tax for Benton County has not been estimated by the County or by ODOT. A rough estimate using population as a proxy shows that such a tax may generate $300,000 per year for each 1-cent per gallon imposed in Benton County. Revenues for Benton County will be less, depending on the revenue sharing arrangements it would have with cities within Benton County. Assuming a 2-cent tax, with a split of 50/50 between the cities and county, Benton County would receive approximately $300,000 per year from this tax.

7.3.3.C.3 Local Vehicle Registration Fee

Subject to voter approval, counties and districts in Oregon are authorized to impose local registration fees up to a maximum of $30 for passenger vehicles and $9 for motorcycles and mopeds, every two years. Distribution of revenues is 40 percent to cities and 60 percent to the County, as provided for by the Oregon Revised Statutes.

No county or district in Oregon has as yet imposed this fee. In the November 1997 election, Multnomah County asked voters to approve a local registration fee. The measure was defeated, with approximately 48 percent for and 52 percent against. Other counties also sought the local registration fee in conjunction with a gas tax. As shown on **Table 7-7**, none of the measures passed.

There would be start-up costs and annual administrative costs associated with collection of the registration fee. Collection of the fee is assumed to be administered by the State Driver and Motor Vehicle Services Division (DMV). The cost to implement and administer such a fee for Benton County is unknown; however, Washington County has estimated the start-up costs to be approximately $130,000, with annual administration costs of $106,000. The start-up and administrative costs would be reduced if more counties would also impose this tax. Washington County further estimates that it would require six months to one year to implement this tax.

According to ODOT, Benton County had 60,823 passenger vehicles registered in 1996. Assuming a $30 fee every two years on passenger vehicles alone, Benton County could generate roughly $1,800,000 every two years, or $900,000 annually. Assuming administrative costs of $100,000 annually, net revenues would be $800,000 annually. Assuming further a 60/40 split between the County and the cities, Benton County would receive net revenues of $480,000 annually.

7.3.3.C.4 Property Taxes

Property taxes are a widely used revenue source for funding capital projects in Oregon. At the November 6, 1990 General Election, Oregon voters approved Ballot Measure 5 (now Article XI, Section 11b of the Oregon Constitution), a property tax limitation measure, limiting the dollar amount of property taxes that municipalities may impose without a vote of the people. The Measure created a new definition of "property

taxes" that includes not only ad valorem property taxes, but also any other fees, charges, or assessments imposed by a governmental unit upon property or upon a property owner as a direct consequence of ownership of that property. Within certain narrowly defined exceptions, including voter-approved debt, incurred charges, assessments for local improvements, and indebtedness authorized by the Oregon Constitution, Measure 5 provides that non-school local government property tax may not exceed $10 for each $1,000 of property's real market value. As a result, many municipalities and public entities have been forced to compress their levies in order to meet the tax limitation set by Measure 5.

In May 1997, Oregon voters approved Ballot Measure 50 that, in addition to limitations imposed by Measure 5, reduces property taxes statewide by 17 percent and caps future increases in assessed valuation to 3 percent per year.

Property taxes can now be levied in three ways: (1) tax base levies that are ongoing and can be increased up to 6 percent annually, subject to the 3 percent cap imposed by Measure 50, (2) local option levies that are temporary increases in tax authority, subject to Measure 5's $10/$1,000 limitation, and (3) bond levies that are voter-approved for payment of principal and interest costs for bonded debt, not subject to either Measure 5 or Measure 50.

Bond and local property tax option levies must be approved by a majority of the voters voting on the question at either: (1) a general election in an even numbered year, or (2) any other election in which not less than 50 percent of the registered voters eligible to vote on the question cast a ballot.

7.3.3.C.4.a General Obligation Bond Levy

Bonds incurred for capital construction or capital improvements approved by voters pursuant to the voter participation requirement described above are exempt from both Measure 5 and Measure 50 tax limitations.

ORS 287.054 limits indebtedness for general obligation bonds by counties to 2 percent of the latest real market value of the County, subject to voter authorization. Benton County's 1997-98 real market value is $5.29 billion. By law, the County's general obligation debt is limited to 2 percent of its real market value, which translates to a debt ceiling of $106 million.

Assuming that Benton County authorized a $10 million general obligation bond issue to be repaid over a period of 20 years, the debt service will be approximately $815,000 per year. This results in an average tax levy of 13 cents per thousand (or $13.35 per $100,000 of taxable value) each year for 20 years. While the average levy is 13 cents per thousand, the actual levy amount will start at 19 cents per thousand and will decline over time as the debt is retired.

It should be noted that there are guidelines about how general obligation bond proceeds may be used, which, if not followed, may place possible limitations on the property tax levy.

Measure 50 narrows the definition of capital construction and improvements for bonded indebtedness. Capital construction and improvements for which exempt bonded indebtedness can be authorized cannot, under Measure 50, include reasonably anticipated maintenance or repair items, or supplies and equipment that are not intrinsically part of the structure. It is important, therefore, for Benton County to apply its bond proceeds to the appropriate capital projects to satisfy this requirement.

Legislation implementing Measure 50 requires a local government that spends general obligation bond proceeds in violation of these restrictions to replace the misspent proceeds with other revenue. If the local government fails to replace the misspent funds, a court may subject the property tax levy for the bonds to the limits of Measure 5 limitations.

7.3.3.C.4.b Local Property Tax Option Levy

Local governments other than school districts will be able to override Measure 50 for limited term serial levies with voter approval that meets the voter participation requirements discussed above. Local option levies may be up to five years for any purpose or 10 years for capital projects.

Before Measure 50, all taxes subject to Measure 5's $10 tax per $1,000 assessed value limit compressed equally. Now, under Measure 50, local option levies compress to zero before permanent rates and urban renewal rates are compressed. Benton County lost a minimal amount of property taxes due to compression ($975) for the fiscal year 1997-98. A local option levy could result in more tax accounts falling into compression, effectively causing tax accounts that still have room under the $10 limit to bear a disproportionate share of the local option levy.

Because the local option levy is subject to Measure 5 limits, use of this option levy by one jurisdiction could have a negative impact on other jurisdictions within the same tax code areas, by causing other jurisdictions to also fall under compression. It is therefore very important that local governments with high tax areas coordinate their local option levies.

The assessed valuation (which is now different from real market value) of Benton County was $4.16 billion for fiscal year 1997-98. A local option levy of $1,000,000 per year would result in a tax rate of 24 cents per $1,000 of taxable value. In other words, $24 would be levied annually on a $100,000 property for the local option levy.

7.3.3.C.5 Assessments

Oregon Statutes allow for the formation of Local Improvement Districts (LIDs) to construct public improvements including streets, sidewalks, and parking systems. Formation of a LID can be initiated by property owners or by a municipality, subject to remonstrance. LIDs are appropriate for improvements that provide primarily local benefits. When improvements are made within the district, the cost of the improvement is generally distributed according to the level of benefit to be obtained by each individual property. The property owner may pay the assessment or apply for assessment financing according to terms offered by the municipality. The cost becomes an assessment against the property, which is a lien equivalent to a tax lien.

All assessments that are secured by a lien or that are assessed on the basis of property ownership or use, are subject to Measure 5's $10/$1000 limitation, except assessments that:

- are for capital construction
- are special benefits
- are limited to the "actual cost"
- are assessed in a single assessment upon completion of the project
- have a repayment schedule that is spread over at least a 10-year period

7.3.3.C.6 Street or Transportation Utility Fee

The principle behind a street utility fee is that a street is a utility used by the citizens and businesses, just like a water pipe or a sewer line that supplies a connection to a home or business. A fee would be assessed by the County to all businesses and households for use of county streets, based on the amount of use typically generated. This fee is being used in the City of Medford and the City of Ashland.

The City of Ashland charges a flat rate of $2.30 per month per residence. Businesses are charged based on anticipated trip generation. The fee generates approximately $250,000 in annual revenues.

7.3.3.C.7 Business License Fee/Payroll Taxes

Many cities or special districts charge business license fees of all businesses in the jurisdiction. Revenues often go into the general fund. The Tri-Met Transit District in the Portland area charges a tax on all businesses based upon their gross payroll. The funds are used as part of Tri-Met's operating budget. Benton County does not currently have a business license fee or payroll taxes.

7.3.3.C.8 General Fund Revenues

Jurisdictions may also utilize revenues from their general funds to fund transportation projects. General fund revenues could also be pledged to enhance the security of revenue debt.

7.3.3.C.9 Public-Private Partnership

Private contributors could pay for capital improvement projects. Typically, the private contribution is the result of a development right swap where a city or county would grant development rights to a private company if the developer agrees to build a road or some other infrastructure improvement to accepted standards and then deed the project to the city or county upon completion. Recently, federal and state governments have liberalized their policies to allow certain private contributions to be counted as part of certain local matching requirements.

7.3.3.C.10 Mineral and Aggregate Extraction Fee

Columbia County has a mineral and aggregate extraction fee that is assessed on minerals extracted or hauled into the county. Benton County has considered this as a possible source of revenue to support road maintenance needs. Revenues have been estimated to be on the order of $500,000 per year in Benton County.

7.3.3.C.11 Garbage Tipping Fees

It has been suggested that a tipping fee should be assessed to commercial garbage haulers at the landfill to offset the impact they have on the County Road system.

7.3.3.D Debt Financing Options

Many of the revenue sources described above can be used to support the financing of larger transportation projects. A number of debt financing alternatives are also available to the County. However, the use of debt to finance capital improvements must be balanced with the County's ability to make future debt service payments and to deal with the impact of debt on its overall debt capacity and underlying credit rating. Debt financing should be viewed not as a source of funding, but as a time shifting of funds available to the County. Large capital projects are typically financed through a combination of pay-as-you-go and debt financing.

While a wide variety of debt financing vehicles exist, some of the primary financing tools used for transportation-related projects are listed below. These include general obligation bonds, limited tax general obligation bonds, local improvement district bonds, and special tax revenue bonds.

7.3.3.D.1 General Obligation Bonds

A General Obligation Bond (GO bond) is a long-term borrowing, backed by the "full faith and credit" pledge of the jurisdiction's available general fund revenues and unlimited taxing power. There are two primary types of general obligation bonds:

- **GO bonds paid solely from property taxes**. In Oregon, levies for bonded debt are not subject to the 6 percent tax base limitation under Article XI, Section 11, of the Oregon Constitution. They are also not subject to Measure 5 or Measure 50 rate limitations, if they are for capital construction or improvements.
- **GO bonds paid from another revenue source** (such as user fees). These are often called "double barreled" or "self-supporting" GO bonds, and provide the General Obligation taxing power of the issuer as security if the revenues are not sufficient to retire the bonds.

The issuance of "unlimited tax" or "full" general obligation bonds is subject to voter approval. Unless the vote takes place during a general election, the bonds need to receive approval by the majority of registered voters, not just the majority of those voting in that election.

Advantages of general obligation bonds include:

- The interest cost is the least of any type of bond.
- The overall costs to issue are the least of any type of bond.
- The new levy is outside Measure 5 tax rate limitations and Measure 50, if it is issued for capital construction or improvements and property taxes can be levied outside a municipality's operating levy to pay debt service.

Disadvantages of general obligation bonds include:

- Voter approval is required.
- General obligation debt that applies to the jurisdiction's debt limit is increased.
- State law limits the total amount of unlimited general obligation debt local governments can issue. County bonded debt is limited to 2 percent of the County's total true cash value.

7.3.3.D.2 Limited Tax General Obligation Bonds

Limited Tax General Obligation Bonds (LTGOs) are similar to unlimited tax general obligation bonds except the issuer does not have the legal ability to levy unlimited taxes as a pledge of security. Rather, the obligations are secured by available general fund revenues. There is no special exemption from Oregon's Measure 5 or Measure 50 limitations.

There is no specific legal authorization for "limited tax general obligation bonds." Rather, this is a description of the type of security pledge commonly used to secure other types of bonds such as:

- Certificates of Participation (COPs)
- Limited Tax Revenue Bonds
- Limited Obligation Assessment Bonds

LTGOs do not require voter approval and do not count toward the General Obligation debt limitations. In addition, LTGOs are perceived to have a higher risk and therefore will carry a higher interest rate than unlimited tax general obligation bonds. The magnitude of this difference in interest rates depends on the financial condition of the issuer and the revenue stream used to pay the borrowing.

7.3.3.D.3 Limited Obligation Assessment Bonds

Limited Obligation Assessment Bonds are a type of bond used to finance local improvements such as streets, sewer, water, and storm drainage. The bonds are payable primarily from special assessments upon property owners who benefit from the project. For the purposes of collecting the charges (known as "assessments") made to property owners benefiting from a specific capital improvement, areas are grouped into a local improvement district (LID) and charges are directly levied or apportioned to all properties within the LID. The governmental unit must establish the LID's boundaries and publish the intention of establishing the LID to allow LID property owners the opportunity to remonstrate or object to the LID. After determining that the LID is to be established, the governmental unit will develop an estimate for the costs of the local improvement and calculate the assessments on the basis of the degree to which each property is benefited by the improvement. Formulas are usually based upon footage, square footage, or a combination of the two.

Property owners have the right to pay the assessment in installments over a period of at least 10 years. The governmental unit may charge a reasonable interest rate on installments. The agreement between the governmental unit and the property owner to pay the assessment in installment is called the assessment contract.

Special assessment (or Bancroft) bonds may be issued for the amount of the unpaid final assessments including amounts necessary to establish a debt service reserve and pay financing costs. These bonds are payable from assessments received from the LID property owners.

The governmental unit has the right to pledge the assessments as follows:

- If the bonds are voter-approved, the governmental unit may also pledge to make a general obligation tax levy not subject to tax limitation for shortfalls in assessments collected to pay debt service (a full general obligation pledge).
- If the bonds are not voter-approved, the governmental unit may pledge to pay shortfalls in assessments with property taxes receipts subject to tax limitation (a limited obligation pledge). With Measure 50, this is effectively a pledge of the government's general fund.

7.3.3.D.4 Revenue Bonds

Revenue bonds are long-term obligations that are payable solely from a designated source of revenue generated by the project that was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to a jurisdiction's statutory debt limitation nor is voter approval required unless, for those issued under the Oregon Revenue Bond Act, sufficient signatures are collected during the 90-day notice period to require an election.

If the revenue bonds are paid from the revenues of a particular project only, then the bonds are known as "project revenue bonds." Likewise, if the revenues from an entire system (which may have several projects' revenues) secure and retire the bonds, then the bonds are "system revenue bonds." Clearly, the system bonds have more sources of revenue supporting them. Therefore, they are more secure and would command better interest rates.

There are times when the issuer prefers not to jeopardize the system revenues and wants the project to stand on its own. Then project bonds are issued, but the financing will be more costly, complex, and restrictive. The interest rate paid on revenue bonds reflects the quality of the revenue stream supporting repayment of the bonds. Where the revenue stream is active, i.e., the issuer can adjust user rates, the bonds are more secured than if the revenue stream is passive.

Revenue bonds have been used to fund projects such as water, sewer, and storm drainage facilities and improvements, and revenue-producing facilities such as electric facilities. Revenue bonds are sometimes used to finance toll roads or bridges. A few cities in Oregon have secured revenue bond issues with gas taxes or other special transportation revenues. In many cases, local governments have become accustomed to using state gas tax revenues solely for maintenance needs. Using gas tax revenues to pay debt service on bonds instead of funding maintenance would require an issuer to either reduce its maintenance budget or provide some other sources of funding for maintenance needs.

7.3.4 Proposed Funding Options

Early in the development of this TSP, a survey of community leaders and key stakeholders was conducted to seek their views on many issues linked to the County TSP. Most stakeholders believe future transportation needs will require a balanced package that enables all system beneficiaries to contribute, with existing residents, businesses, and new development shouldering their fair share of the cost load. They identified the local gas tax and system development charges as the preferred funding sources for transportation system improvements. *(For a complete description of the process used to develop this TSP, including public involvement, see Chapter 2.)*

Due to the magnitude of the unfunded costs of the projects identified in this TSP, the local gas tax and system development charges will not be sufficient to fund all of the needed projects. Therefore, consideration should be given to including a local option levy and/or general obligation bonds as a portion of the future funding strategy.

Table 7-8 shows revenues that could be potentially generated to meet expenditure needs over the next 20 years. For the purpose of this table, it is assumed that revenues and expenditures would be allocated equally each year over the 20-year period.

Table 7-8
Revenues Required to Meet Expenditures Over 20 Years

	Annual	Duration	20-Year Total
REVENUES			
System Development Charges	$ 400,000	20	$ 8,000,000
Local Gas Tax	$ 300,000	20	$ 6,000,000
Local Registration Fee	$ 480,000	20	$ 9,600,000
Highway Apportionment	$ 1,200,000	18	$21,600,000
Local Option Levy (first 5 years)	$ 2,560,000	5	$12,800,000
Local Option Levy (second 5 years)	$ 1,500,000	5	$ 7,500,000
Local option Levy (third 5 years)	$ 1,300,000	5	$ 6,500,000
General Obligation Bonds	$10,000,000	2	$20,000,000
Grants	$ 200,000	20	$ 4,000,000
TOTAL Revenues	**$17,940,000**		**$96,000,000**
EXPENDITURES			
Road Overlays	$ 1,028,000	20	$20,560,000
Local Access & Gravel Road	$ 850,000	20	$17,000,000
Road Shoulder Widening Program	$ 367,000	20	$ 7,340,000
TSP Capital	$ 1,841,550	20	$36,831,000
TSP O & M	$ 693,300	20	$13,866,000
TOTAL Expenditures	**$ 4,799,850**		**$95,597,000**

7.3.4.A Funding Options Assumptions

As can be seen in **Table 7-8**, the current unfunded needs and TSP-identified needs require that local revenue funding be increased significantly. The funding considerations assume the following:

- Implementation of a System Development Charges of $2,000 per new development.
- Implementation of a local gas tax of 2 cents per gallon.
- Implementation of a local registration fee of $30 per passenger vehicle, $9 per motorcycle, $30 per truck every two years.
- The legislature will pass a transportation measure, which would generate approximately the same amount of revenue to Benton County as was estimated during the 1997 legislative session.
- Grants totaling approximately $200,000 per year would be available to offset expenditures.
- Passage of a general obligation bond authorization of $10 million in the first 5-year period and a second GO bond authorization of $10 million in the second 5-year period.

- Passage of a local option levy in the total amount of $26.8 million over a 15-year period.

This would have the an impact on tax rates, as shown in **Table 7-9.**

Table 7-9
Impact of Local Levy on Tax Rates

	Local Option Levy Amount Validation	Average Assessed	Average Tax Rate (per thousand)
First 5 year period	$2,560,000	$4,611,425,820	$0.56
Second 5 year period	$1,500,000	$5,476,927,296	$0.27
Third 5 year period	$1,300,000	$6,504,871,546	$0.20
Fourth 5 year period	$ 0	$ 0	$0. 0

7.3.4.B Funding Options Considerations

There are important considerations regarding the proposed funding options.

Use of Funds Limitations

Limitations exist regarding the use of certain revenues. SDCs must be used on projects that are growth-driven. An SDC of $2,000 per new development has been assumed for development in the rural areas of Benton County. The dollar amount of SDCs, which the County is able to assess, need to meet the legal requirements for establishing SDCs. General obligation bonds need to be used only for capital improvement projects and not maintenance.

Coordination With Other Governments

The ability to institute most of the proposed revenue sources is dependent upon coordination with other cities within the County. The allocation of local gas tax among jurisdictions is one example. The determination a local option property tax, in particular, needs to be done in consultation with other cities so that adverse impacts of compression are minimized.

Citizen Involvement

The success of this TSP is dependent upon the approval of significant taxes, fees and charges; therefore, the involvement of citizens is critical to the implementation of any funding strategy that is pursued.